

QEP RESOURCES, INC.
Form 10-Q
July 26, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the quarterly period ended June 30, 2017

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from _____ to _____

Commission File Number: 001-34778
QEP RESOURCES, INC.

(Exact name of registrant as specified in its charter)
STATE OF DELAWARE 87-0287750
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

1050 17th Street, Suite 800, Denver, Colorado 80265
(Address of principal executive offices)

Registrant's telephone number, including area code (303) 672-6900

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

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Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At June 30, 2017, there were 240,555,086 shares of the registrant's common stock, \$0.01 par value, outstanding.

QEP Resources, Inc.
Form 10-Q for the Quarter Ended June 30, 2017

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

QEP RESOURCES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
REVENUES	(in millions, except per share amounts)			
Oil sales	\$216.0	\$207.7	\$437.7	\$351.5
Gas sales	134.2	79.2	268.7	164.3
NGL sales	22.8	22.8	51.8	36.4
Other revenue (loss)	2.7	(0.5)	6.7	1.8
Purchased oil and gas sales	8.0	24.5	38.9	41.0
Total Revenues	383.7	333.7	803.8	595.0
OPERATING EXPENSES				
Purchased oil and gas expense	9.1	26.8	38.5	43.7
Lease operating expense	70.0	52.6	139.2	112.6
Transportation and processing costs	72.2	69.5	142.4	143.1
Gathering and other expense	1.8	1.6	3.3	2.9
General and administrative	31.3	42.9	64.9	91.4
Production and property taxes	28.5	20.7	57.6	38.5
Depreciation, depletion and amortization	191.5	209.7	383.3	449.7
Exploration expenses	—	0.4	0.4	0.7
Impairment	—	0.8	0.1	1,183.2
Total Operating Expenses	404.4	425.0	829.7	2,065.8
Net gain (loss) from asset sales	19.8	(0.8)	19.8	(0.3)
OPERATING INCOME (LOSS)	(0.9)	(92.1)	(6.1)	(1,471.1)
Realized and unrealized gains (losses) on derivative contracts (Note 7)	106.7	(180.5)	267.6	(129.6)
Interest and other income (expense)	1.8	(1.1)	2.4	1.0
Interest expense	(34.9)	(36.6)	(68.7)	(73.3)
INCOME (LOSS) BEFORE INCOME TAXES	72.7	(310.3)	195.2	(1,673.0)
Income tax (provision) benefit	(27.3)	113.3	(72.9)	612.2
NET INCOME (LOSS)	\$45.4	\$(197.0)	\$122.3	\$(1,060.8)
Earnings (loss) per common share				
Basic	\$0.19	\$(0.90)	\$0.51	\$(5.21)
Diluted	\$0.19	\$(0.90)	\$0.51	\$(5.21)
Weighted-average common shares outstanding				
Used in basic calculation	240.5	217.7	240.4	203.7
Used in diluted calculation	240.6	217.7	240.5	203.7
Dividends per common share	\$—	\$—	\$—	\$—

See Notes accompanying the Condensed Consolidated Financial Statements.

QEP RESOURCES, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2017	2016	June 30, 2017	2016
	(in millions)			
Net income (loss)	\$45.4	\$(197.0)	\$122.3	\$(1,060.8)
Other comprehensive income, net of tax:				
Postretirement medical plan change ⁽¹⁾	—	—	1.6	—
Pension and other postretirement plans adjustments:				
Amortization of prior service costs ⁽²⁾	0.2	0.3	0.3	0.4
Amortization of actuarial losses ⁽³⁾	(0.1)	0.1	0.1	0.2
Other comprehensive income	0.1	0.4	2.0	0.6
Comprehensive income (loss)	\$45.5	\$(196.6)	\$124.3	\$(1,060.2)

⁽¹⁾ Presented net of income tax expense of \$1.0 million during the six months ended June 30, 2017.

Presented net of income tax expense of \$0.1 million and \$0.2 million during the three and six months ended

⁽²⁾ June 30, 2017, respectively. Presented net of income tax expense of \$0.2 million and \$0.3 million during the three and six months ended June 30, 2016, respectively.

⁽³⁾ Presented net of income tax expense of \$0.1 million during the six months ended June 30, 2017. Presented net of income tax expense of \$0.1 million during the three and six months ended June 30, 2016, respectively.

See Notes accompanying the Condensed Consolidated Financial Statements.

QEP RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2017	December 31, 2016
	(in millions)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$178.8	\$ 443.8
Accounts receivable, net	165.0	155.7
Income tax receivable	12.9	18.6
Fair value of derivative contracts	48.8	—
Hydrocarbon inventories, at lower of average cost or net realizable value	8.6	10.4
Prepaid expenses and other	10.2	11.6
Total Current Assets	424.3	640.1
Property, Plant and Equipment (successful efforts method for oil and gas properties)		
Proved properties	14,840.2	14,232.5
Unproved properties	729.6	871.5
Gathering and other	305.8	301.8
Materials and supplies	39.0	32.7
Total Property, Plant and Equipment	15,914.6	15,438.5
Less Accumulated Depreciation, Depletion and Amortization		
Exploration and production	9,069.9	8,797.7
Gathering and other	107.4	101.8
Total Accumulated Depreciation, Depletion and Amortization	9,177.3	8,899.5
Net Property, Plant and Equipment	6,737.3	6,539.0
Fair value of derivative contracts	28.6	—
Other noncurrent assets	75.3	66.3
TOTAL ASSETS	\$7,265.5	\$ 7,245.4
LIABILITIES AND EQUITY		
Current Liabilities		
Checks outstanding in excess of cash balances	\$11.9	\$ 12.3
Accounts payable and accrued expenses	305.9	269.7
Production and property taxes	33.0	30.1
Interest payable	32.9	32.9
Fair value of derivative contracts	1.4	169.8
Current portion of long-term debt	134.0	—
Total Current Liabilities	519.1	514.8
Long-term debt	1,889.0	2,020.9
Deferred income taxes	894.3	825.9
Asset retirement obligations	225.6	225.8
Fair value of derivative contracts	0.1	32.0
Other long-term liabilities	102.4	123.3
Commitments and contingencies (Note 9)		
EQUITY		
Common stock – par value \$0.01 per share; 500.0 million shares authorized; 242.2 million and 240.7 million shares issued, respectively	2.4	2.4
Treasury stock – 1.7 million and 1.1 million shares, respectively	(30.3) (22.9
Additional paid-in capital	1,382.1	1,366.6

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Retained earnings	2,295.6	2,173.3
Accumulated other comprehensive income (loss)	(14.8)	(16.7)
Total Common Shareholders' Equity	3,635.0	3,502.7
TOTAL LIABILITIES AND EQUITY	\$7,265.5	\$ 7,245.4

See Notes accompanying the Condensed Consolidated Financial Statements.

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QEP RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30, 2017 2016	
OPERATING ACTIVITIES (in millions)		
Net income (loss)	\$	